

Academy Announces Officer Nominations

STEPHEN ALPERT has been nominated to be the Academy's next president-elect, as announced by the Nominating Committee. In addition to Alpert, four other nominations for officer positions were made, and will be voted by the Academy Board, as directed by the Academy's bylaws, at its annual meeting Oct. 13-14.

Alpert, who specializes in retirement and pension issues, founded Lifetime Income Advisory this year, following his retirement from Mercer after 35 years in various actuarial, risk, and compliance roles. He has been an Academy volunteer since 2000 and is chairperson of the Public Interest Committee, which identifies areas in which the Academy should be speaking out in the public interest and helps each of the Academy's practice councils appropriately address the public interest.

"I am greatly honored to be nominated for president-elect of the Academy," Alpert said. "I look forward to



Alpert

"I look forward to continuing to work with Academy volunteers across all practice areas to maintain and enhance the public's trust in our profession."

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Alpert received an Outstanding Volunteer Award from the Academy in 2011, recognized for successfully bridging differing viewpoints to enable the Academy to present timely and balanced comments to regulators and policymakers on public pension

plan issues. Last June, the Public Interest Committee released [Sustainability in American Financial Security Programs](#), a public policy white paper. Alpert was chairperson of the Pension Accounting Committee in 2011, when it released the public policy practice note [Working With Pension Plan Auditors](#).

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Academy Presents at NAIC Spring Meeting

ACADEMY REPRESENTATIVES and volunteers once again gave many presentations at the NAIC's Spring 2016 National Meeting in New Orleans, interacting with state regulators and other stakeholders on a wide variety of specific insurance-related public policy and professionalism topics.

Academy Senior Property/Casualty Fellow Jim MacGinnitie gave several presentations, addressed the NAIC's Property and Casualty (C) Insurance Committee on the National Flood Insurance Program, and took part in a panel discussion on Big Data and auto insurance at an event sponsored by the NAIC's Center for Insurance Policy and Research.

See the Academy's [NAIC alert](#) for more detailed meeting coverage.

LATF Sessions Highlight PBR, NPR

At the Life Actuarial (A) Task Force (LATF) meeting this month in New Orleans, Wayne Stuenkel, chairper-



Senior Property/Casualty Fellow Jim MacGinnitie, a former Academy president, gave several P/C presentations at the NAIC Spring Meeting

son of the Academy's Life Capital Adequacy Committee, and Dave Neve, chairperson of the Life Reserves Work Group, discussed principle-based reserving (PBR) and net

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In on Personal
Discount Rates

JUNE

6-8 Seminar: "PBR Boot Camp: Basic Training and Beyond," Chicago

SEPTEMBER

18-20 Casualty Loss Reserve Seminar (CLRS) & Workshops

NOVEMBER

3-4 Annual Meeting and Public Policy Forum, Washington, DC.

13-17 Life and Health Qualifications Seminar, Arlington, Va.

For a list of all previous and upcoming Academy events, please visit the Academy's [Calendar of Events](#).

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the member login page on the Academy [website](#).

Academy NEWS

Issue Paper Examines ACA Risk Adjustment Program

THE AFFORDABLE CARE ACT'S (ACA) permanent risk adjustment program appears to have generally worked as intended in its first year, but with some insurers experiencing variations in results, according to new analysis released by the Risk Sharing Subcommittee of the Academy's Health Practice Council that focuses on experience in the individual market. The program is one of three risk-sharing programs designed to mitigate the financial risks faced by insurers participating in the ACA health insurance market.

The issue paper, [Insights on the ACA Risk Adjustment Program](#), studies Centers for Medicare and Medicaid Services data from 2014 to explore how the permanent risk adjustment program helped spread risk among insurers, provide insights into the program's operation, and point to potential areas for further study. Highlights of the analysis include:

- The pattern in which health insurers made and received risk adjustment payments in 2014 aligns with the program's stated purpose. The more difficulty an insurer had in covering claims with premiums (as measured by its loss ratio), the more likely it was to receive a risk adjustment payment. This pattern is consistent with the shifting of funds from insurers with low-cost enrollees to insurers with high-cost enrollees.
- The ACA's transitional reinsurance program reinforced the risk adjustment program's shifting of funds. The transitional reinsurance program, in effect from 2014 through 2016, compensated plans in the individual market when they had enrollees with especially high claims, reinforcing the flow of funds to insurers with high-cost enrollees.
- Insurers with smaller market share experienced more variability in the risk adjustment payments they made or received. Risk adjustment transfers were more variable and likely to be higher, as a percentage of premium, for insurers with a smaller market share. This effect is to be expected, as smaller insurer enrollee populations are more likely to be



skewed toward either lower-risk or higher-risk individuals.

- Insurers' premiums need to reflect the risk of the entire market pool, not just the risk of their enrollees. This was particularly difficult for 2014 given the uncertainty regarding enrollee risk profiles.
- Operational issues, such as claims processing and medical coding practices, may have affected risk adjustment transfers, but these issues may lessen over time. Some insurers may have had advantages such as more accurate coding or more effective processes for submitting required CMS enrollment and claims data. These advantages may diminish as insurers gain more experience with risk adjustment.
- More research is needed to better understand the extent to which different financial outcomes among insurers are due to different premium levels, risk adjustment, or other factors such as the types of plans offered and relative administrative expenses. It will also be important to monitor risk adjustment experience over time.
- Modifications to the risk adjustment model and the risk adjustment transfer process may be appropriate to further the program's goals. For instance, considerations should be made to incorporating pharmacy data, reviewing and updating the model coefficients and metal-tier induced demand factors, incorporating an adjustment for high-cost outliers, adjusting for partial-year enrollees, and basing risk adjustment transfers on the claims-related portion of the state average premium.

Several media outlets reported on these findings. See "In the News" for highlights of the coverage. ▲

Academy NEWS Briefs

Lack of COI Policy Acknowledgments: Volunteers Dropped

IN ACCORDANCE with the Academy's policy, 57 volunteers and interested parties have been removed from their Academy committee positions because they failed to comply with the Academy's policy that its volunteers expressly acknowledge the longstanding conflict of interest (COI) policy applicable to those who serve on an Academy committee. In total, 95.5 percent of the 1,270 volunteers

and interested parties who serve on Academy committees affirmatively acknowledged compliance with this policy.

Committee member and interested party acknowledgments are a vital element in the Academy's ability to maintain its objectivity in providing unbiased, reliable information for policymakers and others who rely on actuarial insight to inform their decisions regarding U.S. fiscal and societal

challenges. The Academy requires members who serve in volunteer positions with the Academy to annually acknowledge its longstanding COI policy, and to comply with the continuing education requirements of the U.S. Qualification Standards. Individuals, whether Academy members or not, who serve as interested parties must formally acknowledge the Academy's COI policy as well. ▲

Academy Representatives Attend NAAC Meeting in Mexico

ACADEMY LEADERSHIP REPRESENTATIVES attended the North American Actuarial Council (NAAC) meeting hosted by the Mexican Association of Actuaries (AMA) April 22-24 in Guanajuato, Mexico. Participants shared and discussed how they address a wide range of issues in order to share information that may yield collective insights valuable to each organization in NAAC (the five U.S.-based organizations, the Canadian Institute of Actuaries, and three Mexican organizations).

The meeting was attended by Academy President Tom Wildsmith; Executive Director Mary Downs; General Counsel and Direc-

tor of Professionalism Paul Kollmer-Dorsey; and Claire Mickelson, senior policy analyst.

Encouraging efforts to create a more diverse profession in North America are a common concern. The Academy screened its new short video, "[A Great Career for a Man?](#)," which highlights the views and attitudes of some of the women who have served or are serving in Academy leadership positions and features several female presidents of the Academy, including Immediate Past President Mary D. Miller. The movie was very well received at NAAC in the context of the discussion about diversity in the profession. The movie is now featured on the Academy's [Newsroom](#) page. ▲

Nominate a Colleague for an Academy Service Award

IT'S TIME TO NOMINATE a deserving colleague or respected mentor for an annual Academy award that recognizes his or her public service, or service to the actuarial profession and the Academy, as described below.

➡ The [Robert J. Myers Public Service Award](#) honors an actuary who made an exceptional contribution to the common good, specifically through a single note-

worthy public service achievement or a career devoted to public service.

➡ The [Jarvis Farley Service Award](#) is a lifetime achievement award presented to an actuary whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession through a lifetime of service.

➡ The [Outstanding Volunteerism Award](#)

honors Academy volunteers who have made a single, noteworthy volunteerism contribution in the last year that is above and beyond what is reasonably expected of an Academy volunteer.

The nominations deadline is July 8, and awards will be presented at the Academy's Annual Meeting and Public Policy Forum in Washington, Nov. 3-4. ▲

More Election Guides Released

WITH THE PRESIDENTIAL PRIMARY SEASON in full swing, the Academy released several more election guides providing an actuarial perspective on major issues during the 2016 election season:

- ➡ [The Affordable Care Act \(ACA\) broadly;](#)
- ➡ [The "Cadillac tax" provision of the ACA;](#)
- ➡ [Ramifications of eliminating the individual mandate of the ACA;](#)

- ➡ [Selling health insurance across state lines;](#)
- ➡ [Establishing association health plans;](#) and
- ➡ [Climate risk.](#)

This is the latest tranche of issue-focused guides that the Academy launched in February to help voters become better informed in the run-up to the November elections. All guides are available online at <http://election2016.actuary.org>. ▲

IN THE NEWS

The Health Practice Council's analysis of the Affordable Care Act's (ACA) risk adjustment program received coverage in numerous media outlets including *Politico Pro* (subscriber only), *Becker's Hospital Review*, *Morning Consult*, and *Fierce Health Payer*. The [issue paper](#) reviews the first year of experience under the ACA risk adjustment program with a focus on experience in the individual market. The paper is also highlighted in the [Mayo Clinic blog](#), the law blog [Daily Reporting Suite](#), and [Health Care Current](#).

A [Forbes column](#) on the Academy's Pension Assistance List (PAL) program tells the story of how Cindy Levering, member of the Lifetime Income Risk Joint Task Force and PAL volunteer, has helped individuals save tens of thousands of dollars by uncovering miscalculations made by plan sponsors and explaining how critical plan details can shape their benefits. [Click here](#) to learn more about how the PAL program works and how to become a volunteer.

The Academy Risk Sharing Subcommittee's [presenta-](#)

[tion on risk adjustment](#) at the NAIC Spring 2016 National Meeting was posted on [Benefitslink.com](#).

Senior Pension Fellow Ted Goldman's remarks addressing longevity risk issues in retirement planning were quoted in an [Employee Benefit News](#) story covering a Capitol Hill panel discussion as part of National Retirement Planning Week.

Academy President Tom Wildsmith is featured in the "Quotable Quotes on Pension Reform" section of the

Reason Foundation's March [Pension Reform Newsletter](#). The newsletter quotes Wildsmith's comments on public employee plan disclosures from an Academy news release that was [highlighted](#) in *Life & Health Advisor*.

The Center for Consumer Information and Insurance Oversight [cited](#) analysis from the Academy issue brief [Risk Assessment and Risk Adjustment](#) regarding the relationship between medical diagnosis and treatment costs in a white paper that examines the ACA's risk adjustment program. ▲

ASB Exposes Proposed ASOP on Life Pricing

THE ACTUARIAL STANDARDS BOARD (ASB) recently approved an exposure draft of a proposed new actuarial standard of practice (ASOP) titled *Pricing of Life Insurance and Annuity Products*. The proposed ASOP would apply to actuaries when performing actuarial services with respect to the pricing of life insurance and annuity products, including riders, that will be sold in the future. Deadline for comments is Aug. 31, 2016. [Read the proposed ASOP](#) on the ASB website. ▲

Professionalism Outreach

- ➡ The pocket-sized Code of Professional Conduct booklet continues to be very popular. It is free to members; please click here to request one if you don't yet have one. (Member log-in required.)
- ➡ A reminder that the ASB website is mobile-friendly. You can create a shortcut to the site on your mobile device; [click here](#) for a graphical aid. ▲

Recently Released

THE APRIL 2016 EDITION of the [ASB Boxscore](#) is now available on the Actuarial Standards Board (ASB) website. The issue includes items on a proposed new actuarial standard of practice (ASOP) on life insurance and annuity pricing; the ASB's 2015 *Annual Report*; an approved proposal for a new ASOP on assumptions; and a look ahead to the June ASB meeting.

The latest issue of [PBA Perspectives](#) features an update on principle-based reserving, which has reached a key milestone after more

than a decade of development. The issue also contains a review of regulatory, legislative, and Academy activities surrounding the implementation of the principle-based approach for life insurance.

The April issue of [HealthCheck](#) covers the Health Practice Council's presentations at the NAIC Spring 2016 National Meeting, recaps the Academy's recent webinar with Center for Consumer Information and Insurance Oversight (CCIIO) representatives, and highlights this fall's Life and Health Qualifications Seminar. ▲

HEALTH BRIEFS

- ➡ **Max Xu** has joined the Medicaid Subcommittee.
- ➡ **Julian Levin** has joined the Group LTD Practice Work Group.
- ➡ **William Panyard** has joined the LTC Combo Valuations Work Group.

LIFE BRIEFS

- ➡ **Linda Lankowski** is now chairperson of the PBR 101 Work Group. The following actuaries are now members of the group:
 - ➡ **Jeff Johnson**
 - ➡ **Dave Neve**
 - ➡ **Lee Richert**
 - ➡ **Linda Rodway**
- ➡ **Jason Kehrberg** has joined the PBR Intensive Seminar Subgroup, the PBR Model Governance Practice Note Subgroup, and the PBR Model Governance Work Group.
- ➡ **Tim Cardinal**, **Dave Neve**, **Art Panighetti**, **Karen Rudolph**, and **Pete Weber** have joined the PBR Intensive Seminar Subgroup.
- ➡ **Richard Sutton** has joined the PBR Model Governance Practice Note Subgroup.
- ➡ **Fei Wang** has joined the Annuity Reserves Work Group.
- ➡ **Kevin Fry** and **Julie Garber** have joined the C1 Work Group.
- ➡ **Brian Lessing** and **Tim Pfeifer** have joined the Non-Guaranteed Elements Work Group.

Making Sense of the ‘Look in the Mirror’ Test of Qualifications

BY KEITH PASSWATER, CHAIRPERSON, COMMITTEE ON QUALIFICATIONS

As any actuary with a long career can tell you, at some point you will face a new professional situation and wonder whether you are really qualified to provide the actuarial services requested. Situations such as a new area of practice, a new area of business, a new set of laws and regulations, or a client with a new business model can be exhilarating—and may be intimidating as well. So, what does it mean, under these circumstances, to “look in the mirror” and satisfy yourself and other members of the actuarial profession that you have complied with the obligation to be qualified under Precept 2 of the Code of Professional Conduct?



The “look in the mirror” test requires you to objectively examine your professional qualifications—basic and continuing education (CE), and experience—and make a reasoned judgment about whether you can fulfill your obligations under the Code to “act honestly, with integrity and competence” and to “perform Actuarial Services with skill and care” (Precept 1) and to “perform Actuarial Services only when ... qualified to do so on the basis of basic and continuing education and experience, and only when [you satisfy] applicable qualification standards” (Precept 2). Annotation 2-2 extends this bedrock principle, stating that “[t]he absence of applicable qualification standards for a particular type of assignment ... does not relieve the Actuary of the responsibility to perform such Actuarial Services only when qualified to do so...” [emphasis added]. In other words, the Code expressly states that, even in situations where objective measures of qualification do not exist, the obligation to protect the public and the reputation of the profession requires you to achieve a level of competence that allows you to render actuarial services with skill and care.

Just as the “look in the mirror” test must be anchored in the Code, it should be performed with the requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards, or USQS) firmly in mind. The USQS defines the requirements for basic education and experience and CE articulated in Precept 2 of the Code. The USQS also recognizes the dynamic situations in which you may find yourself, stating that “[a]ctuarial practice is grounded in the knowledge and application of actuarial science, a constantly evolving discipline. If actuaries are to provide their Principals with high-quality service, it is important that they remain current on emerging advancements in actuarial practice and science that are relevant to the Actuarial Services they provide. Further, opportunities to practice are expanding beyond traditional work. ... Actuaries working in emerging areas need to be familiar with relevant new techniques and concepts from other related disciplines” (section 2.2.1). To help you navigate such new

and complex situations, the USQS provides guidance on statements of actuarial opinion issued in more than one area of actual practice (section 2.3), changes in areas of actuarial practice (section 4.1), changes in applications of actuarial science (section 4.2), and emerging or nontraditional areas of actuarial practice (section 4.3). These USQS provisions and the answers to frequently asked questions on the USQS (the FAQs) are a good place to start any “look in the mirror” analysis.

To satisfy the USQS, your CE must be relevant to your work. For the General Qualification Standard, CE is “relevant” if it broadens or deepens understanding of one or more aspects of your work, expands your knowledge of practice in related disciplines that bear directly on the work, or facilitates your entry into a new area of practice (section 2.2.7). Under the Specific Qualification Standards, CE must be “directly relevant” to the topics listed in section 3.1.1 so that you “maintain current knowledge of applicable standards and principles in the area of actuarial practice of the Statement of Actuarial Opinion” (section 3.3). When doing a “look in the mirror test,” you need to take this concept of relevance seriously, because “[u]ltimately, it is an actuary’s responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary’s ability to practice in a desired field” (section 2.2.7). In other words, when you look in the mirror, just “checking the box” is not enough; you need to do some fact-checking and soul-searching.

When undertaking a “look in the mirror” test, talking to actuaries practicing in the area can help you determine whether you are qualified, and if not, what you need to do to become qualified. The USQS also invites more formal consultation on individual qualifications. Section 1.5 (Periodic Assessment) states that “Actuaries should regularly review their qualifications and may contact the Committee on Qualifications (COQ) or the Actuarial Board for Counseling and Discipline (ABCD) for guidance to address specific questions and concerns.” The COQ and ABCD are excellent and easily accessible sources of advice on professional qualifications. The look in the mirror need not be a lonely undertaking.

The context in which you undertake a “look in the mirror” test of your qualifications—the context provided by the fundamental obligations of the Code, the rubric of the USQS, and the supportive institutions of actuarial professionalism—means that the test is not purely subjective. A subjective test would be inconsistent with the high bar for professional qualifications set out in the Code and the requirements of the USQS. You must “be prepared to provide evidence of compliance with the Qualification Standards” (section 6.2). So, when you look in the mirror, you should first consult the USQS, the FAQs, qualified colleagues, and professionalism experts and then look at your achievements in basic education and experience and CE. If you do so and make a reasoned judgment based on what you see, you can be proud of the professional looking back, even if you decide you are not qualified. ▲

Academy Representatives Give Professionalism Updates at NAIC

ACADEMY PROFESSIONALISM REPRESENTATIVES provided updates at the NAIC's Life Actuarial (A) Task Force, Health Actuarial (B) Task Force, and Casualty Actuarial and Statistical (C) Task Force meetings, highlighting the Actuarial Standards Board's (ASB) and Actuarial Board for Counseling and Discipline's (ABCD) recently released annual reports, and specific issues of current and upcoming interest to each NAIC actuarial task force.

These issues included the ASB's consideration of a potential actuarial standard of practice on modeling, and another on assumptions. The ABCD reported receiving a record number of requests for guidance in 2015 and was very gratified for the interest from regulators in using the counseling and discipline process.

Regulators showed widespread interest in the Academy's [U.S. Qualification Standards Attestation Form](#). ASB Chairperson Mary-



Committee on Qualifications member Tom Campbell presents to regulators at the Academy's professionalism breakfast at the NAIC Spring Meeting

ellen Coggins, ABCD Chairperson Janet Fagan, and Committee on Qualifications member Tom Campbell also gave presentations at the Academy's well-attended regulator-only Professionalism Breakfast during the NAIC meeting.

Regulators Respond Positively to Request for Input

The ASB developed a list of Academy members who are also regulators in an effort to build a resource list of government actuar-

ies who would serve as a sounding board and a specific source for feedback relating to actuarial standards of practice (ASOPs) in which regulators may have an interest. It plans to use this list also to seek volunteers for ASB committees or task forces to assist with drafting ASOPs.

The response to this request for input has been robust. Regulators' desire to be involved is a testament to their support of the ASB's mission and interest in being a part of the standards-making process. ▲

The Academy recently released a new module in its [eLearning Center](#) focused on how to address ethical challenges with case studies within the framework of the Code of Professional Conduct.

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NEW COURSE:
Addressing
Ethical
Concerns

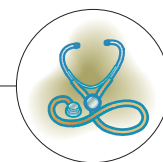


AMERICAN ACADEMY of ACTUARIES

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The new **Actuarial eLearning Center** allows Academy members to earn needed professionalism credit online. Each e-learning module will provide the professional practice information you need to know and assess your understanding of it through a thought-provoking case study approach and a final exam. Access the Actuarial eLearning Center via our website anytime.

www.actuary.org



Work Group Sends Recommendation on Credit Risk Factors

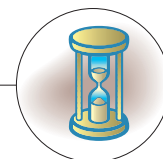
THE HEALTH CARE RECEIVABLES FACTORS WORK GROUP sent its [recommendations](#) on credit risk factors for health care receivables to the NAIC's Health Risk Based Capital (E) Work Group. The comment letter includes a history of

the risk factors used for health care receivables, an analysis of data from 2013 and 2014 Annual Statements, and appendices that show the theoretical impact of using various risk factors for health care receivables. ▲

Subcommittee Sends Letter to CMS

THE RISK SHARING SUBCOMMITTEE sent a [letter](#) to the Centers for Medicare & Medicaid Services (CMS) with comments on its recent discussion paper, *HHS-Operated Risk Adjustment*

Methodology, which addresses partial year enrollment, use of pharmacy data, use of a concurrent versus prospective model, high-risk enrollee pooling, recalibration of the model, and the transfer formula. ▲



PBR Boot Camp at Capacity; Second Session Planned for September

THE ACADEMY'S INAUGURAL "[PBR Boot Camp: Basic Training and Beyond for Principle-Based Reserving Implementation](#)," to be held June 6-8 in Chicago and focusing on principle-based reserving (PBR), is at capacity, but a waitlist is available for prospective attendees. [Click here](#) for more information. A reprise of the June seminar will be scheduled for September. We will release more information as it becomes available, and those on the waitlist will receive advance, priority notification of the September program. ▲

Save Your Seat: LHQ Seminar Registration Now Open

RESERVE YOUR SPACE for this year's Life and Health Qualifications Seminar, to be held Nov. 13-17 in Arlington, Va. (metropolitan Washington, D.C.). Considered to be the most efficient way to acquire the required basic education and continuing education to sign NAIC annual statement life and health actuarial opinions, this year's seminar will offer hands-on training through question-and-answer sessions, case studies, and personal attention from the expert faculty.

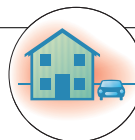
Of particular interest, speakers will cover rules and regulations that may impact your NAIC annual statement opinion related to principle-based reserving and the Affordable Care Act.

This popular seminar has only 100 slots available. Make sure to save your seat and register today. Details about the seminar, including how to register, are available on the Academy's [website](#). ▲

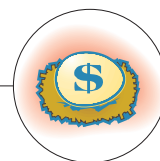
Joint Oversight Group Updates AIRG

THE JOINT ACADEMY/SOA ECONOMIC SCENARIO PROJECT OVERSIGHT GROUP has updated the [Academy's Interest Rate Generator](#) (AIRG) as well as the joint [FAQ document](#) developed by the group to provide information relevant to the AIRG. The Academy and the Society of Actuaries (SOA) have joined resources to manage the economic scenario generators used in regulatory reserve and capital calculations; this month's updates to the AIRG and the FAQ are the latest releases in nearly a decade of cooperation. ▲

CPC Submits Comments to ASB on P/C Ratemaking ASOP



THE CASUALTY PRACTICE COUNCIL submitted [comments](#) to the Actuarial Standards Board on the second exposure draft of the proposed actuarial standard of practice *Property/Casualty Ratemaking*.



Academy Co-hosts Successful EA Meeting

THE ACADEMY JOINTLY HOSTED the annual Enrolled Actuaries (EA) Meeting in Washington this month with the Conference of Consulting Actuaries. The meeting was attended by more than 800 enrolled actuaries and pension professionals.

Academy President Tom Wildsmith gave an opening address, and Academy volunteers and staff, including Ken Kent, vice president of the Council on Professionalism; Ted Goldman, senior pension fellow; Brian Jackson, Actuarial Board for Counseling and Discipline staff attorney; and volunteers on the Actuarial Standards Board and its committees all participated in robust discussions and sessions.

In his opening address, Wildsmith said the Academy is “committed to ensuring that the legislators and regulators who are shaping the future of retirement policy in our nation have the benefit of the best, most objective advice that our profession has to offer.”

It’s also important that the actuaries who work in this area be properly understood and appreciated, Wildsmith said. “You make it possible for the Academy’s voice to be heard—clearly and compellingly,” he said. “Whenever decisions are being made about pension and retirement policy, it is vital that the voice of the profession be heard.”

SEE **EA MEETING**, PAGE 9



Academy membership representatives Kasha Shelton (right) and Emmy Mendizabal (second right) assist members at the Academy’s EA Meeting booth

Senior Pension Fellow Goldman Explains Longevity Risk on Capitol Hill Panel

“IF YOU HAD TO GUESS how long you’d live, most of you would guess too low.” This simple but critical message was at the heart of an April 13 presentation explaining longevity risk that Academy Senior Pension Fellow Ted Goldman delivered on Capitol Hill as part of a National Retirement Planning Week (NRPW) panel discussion.

To emphasize the common mistake of using life expectancy age as a default horizon for retirement planning, Goldman rhetorically asked the audience of congressional staff and others in attendance, “Would you bet your life on a coin toss?” Fifty percent of any particular cohort will live longer, and some will live much longer, than their life expectancy age, he explained. “People are living a lot longer today than 50 years ago, and that trend is expected to continue.”

To illustrate the difference between longevity and life expectancy, Goldman



Senior Pension Fellow Ted Goldman speaks at an April 13 National Retirement Planning Week event on Capitol Hill

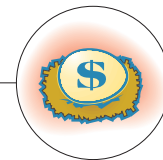
offered a hypothetical example showing the likelihood of survival to certain ages for a retiring male and female spouse, both

age 65 non-smokers in average health. The answer to the question of how long they should plan income to last is not a single number, but a range. There was a 25 percent chance that the female would live another 35 years, which is 10 years beyond her life expectancy. “It’s really a tricky process to figure out what to save for retirement. ... Our goal is to help educate and get people thinking about it earlier,” he said.

Goldman challenged the audience to consider not just longevity risk, but other unknowns when shaping retirement policy, such as:

- ➡ Your ability to work (for income) during retirement.
- ➡ Your ability to rely on family to pick up any shortfall.
- ➡ The performance of your investments while you are retired.
- ➡ Your health (including whether you

SEE **LONGEVITY RISK**, PAGE 9



Committee Sends Comments on Disclosure Requirements for Defined Benefit Plans

THE PENSION ACCOUNTING COMMITTEE submitted [comments](#) to the Financial Accounting Standards Board on its exposure draft on changes to the disclosure requirements for defined benefit plans.

The exposure draft identified seven disclosure requirements that would be removed from and five that would be added to Subtopic 715-20, Compensation – Retirement Benefits – Defined Benefit Plans – General. Generally, the committee writes that it believes

“the amendments would result in improved decision-useful information” but offers one exception, regarding the elimination of the accumulated benefit obligation (ABO) disclosure. Continuing to include both the ABO and the projected benefit obligation “could give readers a better understanding of both the maturity of the pension plan obligation and the potential volatility of future results attributable to future salary increases,” the letter states. ▲

Pension Committee Releases Practice Note Exposure Draft on Investment Return Assumptions

THE ACADEMY'S PENSION COMMITTEE released an exposure draft of a practice note, [Selecting Investment Return Assumptions Based on Anticipated Future Experience](#).

The exposure draft notes that “Complex issues arise in the determination of investment return assumptions, especially for an investment return assumption that will be used as a discount rate.” It goes on to explain how such assumptions can vary based on the

selection of an arithmetic or a geometric method in calculating average return.

This practice note lays out a very technical approach to this issue, and the Pension Committee urges actuaries to spend considerable time studying the concepts, arguments, and applications presented. Actuaries who have ideas about how to improve this practice note should email pensionanalyst@actuary.org by June 27th. ▲

EA Meeting, continued from page 8

He highlighted Goldman's hiring earlier this year as a testament to the Academy's dedication to effective communication in the retirement arena, and he thanked the Academy's many volunteers and members present at the conference, held April 10-13.

The Academy's “voice is needed now more than ever as we face the challenges of an aging society and the retirement of the Baby Boomers,” he said. “Far too many Americans are unprepared for retirement. Most have had limited opportunity to accumulate savings. Low interest rates and investment losses have kept nest eggs—whether they are in defined contribution plans or in personal savings—from growing.”

The Academy also exhibited in the meeting's exposition floor,

providing current and prospective members with Academy materials including the new [Election Guides](#), and raffled off a \$100 Amazon gift card as part of a survey of meeting attendees on the top issues heading into the fall election. Social Security and retirement issues, perhaps not surprisingly, were the top election-year issues cited by pension actuaries, landing in the top spot for 63.3 percent of the total responses.

The mock vote helped to raise awareness of the Academy's Annual Meeting and Public Policy Forum, which will be held in Washington Nov. 3-4, the week before the presidential election. Paul Adamczyk, a director with Prudential Retirement in Chicago, won the gift card, which was presented by Academy officials during the EA Meeting drawings on the exhibit floor. ▲

Longevity Risk, continued from page 8

and/or your spouse may need long-term care).

- ➡ Your ability to make sound financial (and other) decisions during retirement.
- ➡ The rate of inflation.

For help understanding longevity risk and other factors in retirement planning and public policy, Goldman referred audience members to resources developed as part of the Academy's [Lifetime Income Initiative](#).

Goldman was one of four panelists from a broad coalition of organizations, including the Academy, that promote National

Retirement Planning Week (NRPW), a national effort to help consumers focus on their financial needs in retirement.

NRPW, which took place April 11-15, is held each year in the spring. Other topics discussed by the panel included cognitive impairment and the financial exploitation of seniors, the retirement planning challenges facing women, and the importance of financial literacy. Rep. Joe Crowley (D-N.Y.), a member of the House Ways and Means Committee and author of a legislative initiative to promote personal savings and strengthen and expand retirement income options, spoke at the event as well. ▲

The Nominating Committee also nominated Tom Campbell to be secretary-treasurer. Currently a member of the Committee on Qualifications, Campbell said he was “excited to be back in a leadership role at the Academy, and I look forward to working with the board, the Executive Committee, and Academy staff on issues of importance to the actuarial profession.”

Rade Musulin has been nominated to be vice president of the Casualty Practice Council (CPC). A dual citizen of Australia and the United States, he is also a member of the Committee of the International Association of Consulting Actuaries, a section of the [International Actuarial Association](#). Musulin, a member of the Academy’s Extreme Events Committee, has authored many features for *Contingencies* magazine, including most recently the November/December 2015 [cover story](#) “Rising Tides,” about the effects that rising sea levels will have on coastal areas. Besides his actuarial professional skills, he has experience with public affairs, academia, modeling and reinsurance, and regulatory issues.

“There are a number of key property and casualty issues facing the profession—climate risk, catastrophic events, terrorism—and the Academy is well-positioned to offer our professional voice on these concerns,” Musulin said. “I look forward to working with the CPC’s many dedicated volunteers.”

Shari Westerfield has been nominated to be vice president of the Health Practice Council (HPC). “After working on the HPC and its committees for a number of years, I am looking forward to using my experience working with federal and state policymakers and regulators to raise the Academy’s health care profile on key issues facing the profession,” she said. Westerfield currently serves as vice chairperson of the HPC and was a regular director on the Academy’s board from 2010 to 2012.

Joeff Williams, a current Academy board member, has been nominated to be vice president of the Council on Professionalism (COP). “It is a privilege to be asked to serve as vice president of the COP,” Williams said. “I look forward to continuing the outstanding efforts that have been made over the years to emphasize the importance of professionalism within the actuarial profession and the work that the COP does to accomplish that mission.”

All new board terms will begin immediately following the close of the Academy’s annual meeting, to be held on Nov. 3 this year. The president serves for three years: one as president-elect, one as president, and one as past president. The secretary-treasurer serves a one-year term, with the possibility to serve two more one-year terms, for the possibility of three years. The vice presidents serve two-year terms.

The Nominating Committee has been meeting regularly since mid-February, and will now commence work on identifying a slate of nominees for regular directors for the Academy membership to vote on during the summer online election. As the committee works to identify candidates, it will supplement those efforts, based on information about active Academy volunteers, with a public call for suggestions from the membership at large.

This year’s Nominating Committee, a presidential committee, is chaired by Past President Tom Terry; its members are Al Beer, Bob Beuerlein, Audrey Halvorson, Mary D. Miller, Cathy Murphy-Barron, Jeffrey Schlinsog, Tom Wildsmith, and Joeff Williams. Now that the officer candidates have been identified, the Nominating Committee turns to rounding out the board with regular director candidates to fill upcoming vacancies.

Submit Suggestions for Regular Directors

Just as new Academy officers are elected by the Academy Board of Directors, regular directors are elected by the Academy membership in an online election during the summer from a slate of candidates presented by the Academy’s Nominating Committee. As noted above, the committee has been meeting for several months to identify new officers in accordance with the [Nominating Committee Guidelines](#), which have been in effect since February 1999.

The Academy holds uncontested elections. Some will recall that the board experimented several years ago with contested elections for regular director seats over a two- or three-year period, as a means of testing a voting tradition that some other actuarial associations have. After several years of the experiment, the board made a decision two years ago to reaffirm the longstanding Academy process of holding uncontested elections.

The Academy’s Nominating Committee tries to ensure that the Academy’s board composition reflects our unique position as the U.S. national organization established to include actuaries from all practice areas—as well as an equitable distribution among actuarial specialties, business affiliations, and employers. To achieve such a balance, the Academy’s nominating process has long relied primarily on a Nominating Committee process that

entrusts that committee with identifying Academy volunteers whose service to the Academy has made them an excellent candidate for service on our board, which is dedicated to furthering our public policy and professionalism mission. The committee carefully vets candidates for appropriateness in accordance with the guidelines. The Nominating Committee looks for candidates for regular directors who have served the Academy, often through having been chairpersons on Academy committees and task forces. In addition, the Nominating Committee welcomes input from the membership at large and through this announcement, the Nominating Committee is also asking you directly for submission of any recommendations you want to ask them to consider for regular director candidates.

The nominating process is designed to ensure that all candidates bring deep expertise and experience, and also significant knowledge of the Academy’s history, mission, and priorities.

Please share your recommendation by submitting the member’s name and information in the Academy Board [Election Center](#) no later than June 1, 2016. Results of the nominating process will be announced in future publications, including *This Week* and *Actuarial Update*. ▲

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Actuarial Update

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Pension Practice Council Weighs In on Personal Discount Rates

THE PENSION PRACTICE COUNCIL submitted comments to the Department of Defense expressing concerns regarding the use of a personal discount rate as the basis for converting certain monthly pension benefits to a one-time lump sum payment that a pensioner could elect. The methodology, included in the National Defense Authorization Act for Fiscal Year 2016, could result in the use of higher discount rates than those used in private pensions, resulting in lower lump sum payments to the pensioner.

The letter points out that:

“Personal discount rates,” as we understand the term, also include a non-actuarial ele-

ment of individual preference or utility. Consequently, personal discount rates are not explicitly condoned by Actuarial Standards of Practice; and there are no generally accepted actuarial principles or practices for selecting or utilizing personal discount rates.

Regardless of the discount rate used, the council encourages full disclosure to the participant, which “will help to ensure that participants are informed of any shortfall that exists between the lump sum amounts they are being offered and the generally accepted financial value of the annuity benefits they would be giving up.” ▲

NAIC, continued from page 1



Dave Neve, chairperson of the Academy's Life Reserves Work Group, presents at the LATF session at the NAIC Spring Meeting

premium reserving (NPR). Tom Berry, chairperson of the Academy's Nonforfeiture Modernization Work Group, gave LATF an update on that issue.

The Academy's post-NAIC webinar, held on April 19, recapped life practice issues from the NAIC meeting. The webinar, which drew more than 300 attendees, featured Philip Barlow, chairperson of the NAIC's Life Risk-Based Capital (E) Working Group; Michael Boerner, chairperson of NAIC's PBR Review (EX) Working Group; and Richard Daillak, chairperson of the Academy's Life Reinsurance Work Group. The webinar was moderated by Dave Neve, chairperson of the Academy's Life Reserves Work Group.

Post-NAIC webinar [slides and audio](#) are available on the members' public policy [webinar page](#).

Several Groups Present Findings to HATF

Academy work groups were also active at the Health Actuarial (B) Task Force (HATF) portion of the NAIC meeting. Activities included:

- ➡ The Cancer Claim Cost Table Work Group [pre-sented](#) to HATF on its progress in updating the 1985 cancer claim cost tables.
- ➡ As part of the HATF meeting, the Long-Term Care (LTC) Credibility Monograph Work Group presented an [update](#) to the NAIC's Long-Term Care Actuarial (B) Working Group, and the LTC Principle-Based Reserve (PBR) Work Group presented its [final report](#) to the working group.
- ➡ The Risk Sharing Subcommittee presented an [update](#) to HATF on its report about the risk adjustment program. ▲